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INTELLIGENCE REPORT

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SOURCE

1. Source reports that since October the words "Soviet" and "in Germany" have been dropped from all signs, letterheads, etc. of the German firms now included in the Soviet AG. The present name for the Leuna Works, for example, is "Chemie-Werke-Leuna, Aktiengesellschaft für Mineralöl-Dünger" (Leuna Chemical Works, Corporation for Mineral Oil Fertilizers).
2. The general organization which applies in all these firms is as follows: a Russian General Director, a Russian First Engineer, a Russian Second Engineer, a Russian officer for technical and material supply, one or more Russian economic officers in the positions of statistician, technician, and commercial agent. Under this staff are the German technical and commercial directors and engineers.
3. The seat of the overall Soviet AG is at Berliner Allee 107/109, Berlin-Weissensee. Source states that the overall director is Resnikov (See also paragraph 13), reputed to be a very capable man, experienced in inner-Russian industrial administration. The president of the financial office for the Soviet AG is Lebedyev, likewise reputed to be very capable. Lebedyev works in close cooperation with the SMA. Source states that there is no longer any doubt that the Soviet AG follows directives which it receives from Moscow.
4. The procedure in taking over a German firm is described by source as follows: For each enterprise an appraisal committee is set up, composed of selected German directors of the enterprise and other auxiliary personnel, the newly-installed Russian director, a representative of the SMA, the Russian economic officers of the enterprise, and competent representatives of the state or provincial administration. The committee must draw up lists of everything that is to be taken over, together with an appraisal of each item in accordance with directives of the SMA. Only after the reports of the committee are approved by the SMA does the firm become Russian.

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property. Until that time, the title of the enterprise remains in the name of the former German owner.

5. Although the directives from Karlshorst which govern the appraisal committees are in constant state of change, in general the basic methods used in assessing firms remain the same. There are different inventory forms to be used for different categories of equipment. The form sheets for one category of equipment may run into hundreds of pages when the report is finished. Each list must be signed by the plant director (Betriebsleiter) and the plant manager (Werkdirektor).
6. The committee determines what is to be included in the lists, and every item that is to be taken over must be listed with exact specifications. Basically, the cost price of each item is to be ascertained. Deductions from this price are to be made for normal wear and tear, war damage, etc. Expenses for reconditioning a piece of equipment may then be added, but only when proof of expenses can be presented and the equipment can be declared fully serviceable. Even freight and installation costs may be added, but only when proof of expenses can be presented. The Russians attempt to determine peace-time prices and prices paid in foreign currencies. Only that equipment is taken over which can be transported, i.e., dismantled. This principle is carried out in such a way that, for example, a power station is taken over without including the wiring. Mineral resources (Bodenschätze) are neither assessed nor taken over, since they no longer represent assets of the enterprise but have become public property through nationalization-- public property which is under the control of the SMA.
7. By the above procedures, cost values, as prepared by the appraisal committee, are usually reduced to a figure somewhere between 30 and 50 percent of the true value. The signed report of the appraisal committee goes to the Soviet AG in Berlin-Weissensee and from there to Karlshorst. Germans do not know exactly what processing is done at these two places. As far as is known, the provincial or state governments, in whose area the plants are located, are credited with the amounts fixed by SMA Karlshorst. The credits are booked on accounts at the Landes- or Provinzialbanken; these accounts carry also the loans (advance payments) granted by the SMA, as well as the amount of deliveries made by the states or provinces.
8. So far no such credit figures have become known. However, ever, source states that, taking the one firm about which he has learned the appraisal figures, the final figures were below those prepared by the appraisal committee. For this one firm, the capital value, as determined for tax purposes, was RM 128 million. The appraisal committee proposed a figure of approximately RM 45 million. Recently a credit of RM 18 million for this firm was booked for the administration of the Province of Saxony. Since part of this firm lay in Land Saxony and part in the Province of Saxony, it is possible that a further amount was credited to Land Saxony. The general opinion is that about half of the value as determined by the assessment committee is pared off in Berlin-Weissensee and Karlshorst. Thus credits on the German reparations account reach only approximately 15 percent of the effective gold value of the plants taken over. Since there is no practical way for the German offices to check these figures, it will be practically impossible for Germany ever to determine the correct figures for her reparations to Russia.
9. The Soviet combines pay no taxes on assets or capital (Vermögens- und Kapitalssteuern), but do pay business taxes (Betriebssteuern) and turnover taxes (Umsatzsteuern), the latter only on transactions with firms outside the Soviet combines.

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10. In the meantime the Soviet planning system has been further expanded over the Soviet A.G.'s and the total economy. A delivery procedure has been developed which circulates the goods among the Russian-owned enterprises. For the SMA this system has the advantage that neither the individual plant nor the German administration knows the direction in which the goods are channeled. Only the Russian planning office has such knowledge, and even the Russian plant director cannot definitely tell who the final consumer of his goods is. According to the shipping papers or sales bills, the products go either to another Russian plant or to the Russian planning office of the provincial administrations. From there the goods are directed to the consumers within the Russian Zone, such as the Red Army, SMA, etc. The SMA in turn directs part of the goods to the U.S.S.R. or as exports on Russian account into other countries.
11. A second source reports that the head of the Soviet AG in Berlin-Weissensee is Apokov (See also paragraph 3), and states that the Karlshorst SMA has no control over the individual plants of the Soviet AG.
12. A third source states that, according to Order No. 61 of the Industry Division in Karlshorst, dated 20 November 1946, neither the German Central Administrations nor the land and provincial administrations have any authority over the industries included in the Soviet AG. They are forbidden to request any information on production or statistical information about these plants.
13. Dr. Kremer, the new director of the Industry Division, has been ordered to shift all reparations orders so that the industries in the Soviet AG will from now on have orders only from the Soviet Engineering Staff Division. This order is interpreted to mean that orders of the Soviet Army will no longer be filled in plants working on reparations.

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